

## **G20 Declares Framework To Deepen Debt Relief For Poor Nations**

By. Anuj Chopra – International Business Times – November 13, 2020

G20 nations declared Friday a "common framework" for an extended debt restructuring plan for coronavirus-ravaged developing countries, but campaigners cautioned that more was needed to alleviate a "wave of debt crises".

G20 nations last month agreed a six-month extension to a debt suspension initiative until June next year, falling short of calls by the World Bank and campaigners for a full-year renewal.

The framework, also agreed by the Paris Club of creditor countries, goes beyond that initiative to reschedule or reduce debts of vulnerable nations on a "case-by-case approach", G20 finance ministers and central bankers said.

"In principle, debt treatments will not be conducted in the form of debt write-off or cancellation," they said in a statement following a virtual meeting hosted by the current G20 president Saudi Arabia.

"If, in the most difficult cases, debt write-off or cancellation is necessary... specific consideration will be given to the fact that each participating creditor shall fulfill its domestic approval procedures in a timely manner."

French Economy Minister Bruno Le Maire hailed the agreement on the framework as "historic".



*Saudi Arabia is the current president of the G20 group of nations which have declared a common framework for an extended debt relief for poor nations hit by coronavirus (Photo: G20 PRESS OFFICE / -)*

"For the first time, all the main bilateral creditors, members or non-members of the Paris Club, will coordinate the debt treatment of the low income countries," Le Maire said.

"It will bring more transparency in the debt relief process and involve private creditors, who will need to commit to at least comparable terms."

A senior US Treasury official said "the scale of the pandemic crisis" and the "deteriorating outlook" in many low-income countries had warranted the need for extended debt relief.

Seventy-three countries are eligible to have their debt restructured, including 38 in sub-Saharan Africa.

The agreement marks a major step for China, a top creditor to poor countries that officials say has resisted attempts to write off debts.

Over the past two decades, China has financed projects in developing nations, including as part of its Belt and Road Initiative to build infrastructure to further expand trade.

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The Treasury official blamed Chinese creditors for "a lack of full participation" and transparency.

"We have a political commitment to this common framework going forward," the official said.

"But we certainly will be monitoring closely exactly how it works in practice. And with a particular eye on Chinese participation."

Warning of a looming debt crisis across poverty-wracked developing nations, campaigners said the framework was far from sufficient.

"This announcement falls far short of what is needed to tackle the wave of debt crises in poorer countries," said Tim Jones, head of policy at Jubilee Debt Campaign, a British charity.

"With many countries facing debt crises... the G20 need to stop kicking the can down the road and build a transparent and inclusive system for cancelling debts to a sustainable level across private, bilateral and multilateral lenders."

Last month, the World Bank said the debt of the world's 73 poorest countries grew 9.5 percent last year to a record \$744 billion.

The countries' debt burden owed to government creditors, most of whom are G20 states, reached \$178 billion last year, and China is owed more than 63 percent of that.

"The debt service suspension initiative has provided much needed 'breathing space' to countries," said IMF Managing Director Kristalina Georgieva.

"But there are countries where debt levels are not sustainable. This is where the timely common framework comes into play -- a coordinated approach to debt treatment, a standardized approach, but with case-by-case resolution."

Georgieva said it was "critically important" to bring the private sector on board.

In a letter to G20 chair Saudi Arabia, the Washington-based Institute of International Finance said private creditors were ready to take part in the extended debt relief initiative, but so far they have received few requests from eligible countries.

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